

AUDIT REPORT

TOWN OF BOKCHITO, OKLAHOMA

JUNE 30, 2013

KERSHAW CPA & ASSOCIATES, PC

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TOWN OF BOKCHITO, OKLAHOMA
JUNE 30, 2013

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TOWN OF BOKCHITO, OKLAHOMA
JUNE 30, 2013

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TOWN OF BOKCHITO, OKLAHOMA
BOARD MEMBERS AND OFFICIALS
JUNE 30, 2013

BOARD MEMBERS & OFFICIALS

| <u>NAME</u> | <u>POSITION</u> |
|-------------------|---|
| CATHEY KEIRSEY | MAYOR |
| PATRICIA MAYS | MAYOR PRO-TEM |
| ROZELL TIDWELL | TRUSTEE |
| KEITH WHITTINGTON | TRUSTEE |
| MELISSA SCOTT | CLERK/TREASURER, EMS DIRECTOR & FIRE CHIEF |
| MIKE ERWIN | POLICE CHIEF |
| WAYNE MINYARD | UTILITY DIRECTOR |

Unaudited

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Bokchito, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Bokchito, Oklahoma, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

The modified cash basis of accounting requires that items, having substantial support in U.S. generally accepted accounting principles, such as capitalizing assets at historical cost and recording depreciation, be recorded in the financial statements. The Town has not maintained accurate capital asset records to support the historical cost of past capital asset purchases and the related depreciation. Documentation supporting historical cost and depreciation was not readily available for our review. The amount by which this departure would affect the assets, net position, and expenses of the Governmental & Business-Type Activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Bokchito, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Other Matters

Supplementary and Other Information

The introductory and supplementary sections listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Town. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial

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statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2013, on our consideration of the Town of Bokchito's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Bokchito's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

November 11, 2013

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2013

| | Governmental Activities | Business-Type Activities | 2013 Total | Memo Only 2012 Total |
|---|------------------------------------|-------------------------------------|-----------------------|-------------------------------------|
| <u>ASSETS</u> | | | | |
| <u>Current Assets:</u> | | | | |
| Cash and cash equivalents | \$ 9,590 | \$ 23,151 | \$ 32,742 | \$ 10,060 |
| Certificates of Deposit | 8,148 | - | 8,148 | 8,113 |
| Accounts Receivable | - | - | - | - |
| Total Current Assets | 17,738 | 23,151 | 40,890 | 18,173 |
| <u>Restricted Assets:</u> | | | | |
| Cash - Customer Deposits | - | 25,175 | 25,175 | 24,021 |
| Cash - Debt Reserves | - | 40,756 | 40,756 | 30,713 |
| Total Restricted Assets | - | 65,931 | 65,931 | 54,734 |
| <u>Capital Assets:</u> | | | | |
| Equipment | 168,184 | - | 168,184 | 155,844 |
| Sewer Improvements | - | 1,862,197 | 1,862,197 | 1,854,400 |
| Less: Accumulated Depreciation | (129,823) | (1,128,215) | (1,258,039) | (1,220,265) |
| Total Capital Assets | 38,361 | 733,982 | 772,342 | 789,979 |
| TOTAL ASSETS | 56,099 | 823,063 | 879,162 | 862,885 |
| <u>LIABILITIES</u> | | | | |
| <u>Current Liabilities:</u> | | | | |
| Accounts Payable | - | - | - | - |
| Current Portion of Long-Term Debt | - | 7,856 | 7,856 | 7,474 |
| Total Current Liabilities | - | 7,856 | 7,856 | 7,474 |
| <u>Long-Term Liabilities:</u> | | | | |
| Due to Depositors | - | 25,577 | 25,577 | 24,373 |
| Note Payable - RD | - | 191,089 | 191,089 | 198,562 |
| Notes Payable - First United Bank | 21,859 | - | 21,859 | - |
| Less: Current Portion of Long-Term Debt | - | (7,856) | (7,856) | (7,474) |
| Total Long-Term Liabilities | 21,859 | 208,810 | 230,669 | 215,462 |
| TOTAL LIABILITIES | 21,859 | 216,666 | 238,525 | 222,936 |
| <u>NET POSITION</u> | | | | |
| Net investment in capital assets | 16,502 | 542,892 | 559,395 | 591,417 |
| Restricted for: | | | | |
| Debt Service | - | 65,931 | 65,931 | 54,734 |
| Other Purposes | - | - | - | - |
| Unrestricted | 17,738 | (2,426) | 15,312 | (6,201) |
| TOTAL NET POSITION | \$ 34,240 | \$ 606,397 | \$ 640,637 | \$ 639,950 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses)/ Revenue |
|----------------------------------|-------------------|-------------------------|--|--|-------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General Government | \$ 103,038 | \$ - | \$ - | \$ - | \$ (103,038) |
| Public Safety | 366,707 | 203,025 | 4,484 | - | (159,198) |
| Streets & Highways | 29,604 | - | - | - | (29,604) |
| Total Governmental Activities | <u>499,349</u> | <u>203,025</u> | <u>4,484</u> | <u>-</u> | <u>(291,840)</u> |
| Business-type activities: | | | | | |
| Water, Sewer & Sanitation | 310,277 | 315,305 | - | - | 5,028 |
| Total Business-type Activities | <u>310,277</u> | <u>315,305</u> | <u>-</u> | <u>-</u> | <u>5,028</u> |
| Total | <u>\$ 809,626</u> | <u>\$ 518,331</u> | <u>\$ 4,484</u> | <u>\$ -</u> | <u>\$ (286,811)</u> |

Changes in Net Position:

| | Governmental Activities | Business-Type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|-------------------|
| Net (expense)/revenue | \$ (291,840) | \$ 5,028 | \$ (286,811) |
| General revenues: | | | |
| Taxes: | | | |
| Sales & Use Tax | 113,162 | - | 113,162 |
| Cigar Tax | 1,442 | - | 1,442 |
| Franchise Tax | 21,961 | - | 21,961 |
| Intergovernmental: | | | |
| Alcoholic Beverage Tax | 4,161 | - | 4,161 |
| Vehicle Taxes | 4,545 | - | 4,545 |
| Gasoline Taxes | 1,185 | - | 1,185 |
| Permits & Fees | 40 | - | 40 |
| Ambulance Subsidy | 66,228 | - | 66,228 |
| Donations & Fundraisers | 632 | - | 632 |
| Investment Income | 49 | 141 | 190 |
| Miscellaneous | 69,172 | - | 69,172 |
| Transfers - Internal Activity | (9,252) | 9,252 | - |
| Total general revenues & transfers | <u>273,326</u> | <u>9,392</u> | <u>282,718</u> |
| Changes in net position | (18,513) | 14,421 | (4,093) |
| Net position - beginning | 50,208 | 589,742 | 639,950 |
| Net position - prior year adjustment | 2,546 | 2,234 | 4,779 |
| Net position - ending | <u>\$ 34,240</u> | <u>\$ 606,397</u> | <u>\$ 640,637</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

| | General Fund | Municipal Court Fund | Ambulance Service Fund | Street & Alley Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------------|------------------------------|---------------------------|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | | | |
| Cash | \$ 2,619 | \$ 1,066 | \$ 660 | \$ 5,091 | \$ 155 | \$ 9,590 |
| Certificates of Deposit | 8,148 | - | - | - | - | 8,148 |
| Accounts Receivable | - | - | - | - | - | - |
| TOTAL ASSETS | <u>\$ 10,767</u> | <u>\$ 1,066</u> | <u>\$ 660</u> | <u>\$ 5,091</u> | <u>\$ 155</u> | <u>\$ 17,738</u> |
| <u>LIABILITIES & FUND EQUITY</u> | | | | | | |
| LIABILITIES: | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | - | - | - | 5,091 | - | 5,091 |
| Committed | - | - | - | - | - | - |
| Assigned | - | 1,066 | 660 | - | 155 | 1,881 |
| Unassigned | 10,767 | - | - | - | - | 10,767 |
| TOTAL FUND BALANCES | <u>10,767</u> | <u>1,066</u> | <u>660</u> | <u>5,091</u> | <u>155</u> | <u>17,738</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 10,767</u> | <u>\$ 1,066</u> | <u>\$ 660</u> | <u>\$ 5,091</u> | <u>\$ 155</u> | |

Reconciliation to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|-------------------------|
| Capital assets used in governmental activities of \$168,184, net of accumulated depreciation of \$129,823, are not financial resources and, therefore, are not reported in the funds. | 38,361 |
| Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds. | <u>(21,859)</u> |
| Net Position of Governmental Activities | <u>\$ 34,240</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT D

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | General Fund | Municipal Court Fund | Ambulance Service Fund | Street & Alley Fund | Other Governmental Funds | Total Governmental Funds |
|---|------------------|----------------------------|------------------------------|---------------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | | |
| Sales & Use Tax | \$ 113,162 | \$ - | \$ - | \$ - | \$ - | \$ 113,162 |
| Cigar Tax | 1,442 | - | - | - | - | 1,442 |
| Franchise Tax | 21,961 | - | - | - | - | 21,961 |
| Alcoholic Beverage Tax | 4,161 | - | - | - | - | 4,161 |
| Vehicle Taxes | - | - | - | 4,545 | - | 4,545 |
| Gasoline Taxes | - | - | - | 1,185 | - | 1,185 |
| Police Fines & Bonds | - | 122,992 | - | - | - | 122,992 |
| Permits & Fees | 40 | - | - | - | - | 40 |
| Charges for Services | - | - | 80,033 | - | - | 80,033 |
| Ambulance Subsidy | - | - | 66,228 | - | - | 66,228 |
| Grant Revenue | - | - | - | - | 4,484 | 4,484 |
| Donations & Fundraisers | 125 | - | - | 300 | 207 | 632 |
| Interest Income | 40 | - | 3 | 6 | 1 | 49 |
| Miscellaneous Income | 35,639 | 20,109 | 5,500 | 4,363 | 7,927 | 73,538 |
| TOTAL REVENUES | 176,569 | 143,101 | 151,763 | 10,400 | 12,620 | 494,453 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Personal Services | 15,248 | 85,341 | 73,008 | - | - | 173,598 |
| Maintenance & Operations | 87,790 | 81,494 | 90,520 | 21,763 | 14,558 | 296,124 |
| Capital Outlay | - | 34,167 | - | 7,841 | - | 42,008 |
| Debt Service - Principal & Interest | - | 385 | - | - | - | 385 |
| TOTAL EXPENDITURES | 103,038 | 201,388 | 163,528 | 29,604 | 14,558 | 512,115 |
| EXCESS OF REVENUES OVER (UNDER) | | | | | | |
| EXPENDITURES | 73,531 | (58,287) | (11,765) | (19,204) | (1,938) | (17,663) |
| OTHER FINANCING SOURCES (USES): | | | | | | |
| Operating Transfers In | - | 36,653 | 10,491 | 14,400 | 1,000 | 62,544 |
| Operating Transfers Out | (71,796) | - | - | - | - | (71,796) |
| Capital Debt Proceeds | - | 22,167 | - | - | - | 22,167 |
| TOTAL OTHER FINANCING SOURCES (USES) | (71,796) | 58,820 | 10,491 | 14,400 | 1,000 | 12,915 |
| NET CHANGES IN FUND BALANCES | 1,735 | 533 | (1,273) | (4,804) | (938) | (4,747) |
| FUND BALANCE - BEGINNING OF YEAR | 8,951 | (828) | 829 | 9,895 | 1,093 | 19,940 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | 81 | 1,360 | 1,104 | - | - | 2,546 |
| FUND BALANCE - END OF YEAR | \$ 10,767 | \$ 1,066 | \$ 660 | \$ 5,091 | \$ 155 | 17,738 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Reconciliation to Statement of Activities:

Net change in fund balances - total governmental funds **\$ (4,747)**

Amounts reported for governmental activities in the Statement of Activities are different because:

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital debt obligation principal payments **308**

Issuance of new capital debt obligations is recorded as capital debt proceeds in the governmental funds, but the proceeds create long-term liabilities in the Statement of Net Position:

Capital Debt Proceeds **(22,167)**

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost basis of the asset sold:

Cost basis in capital asset sold **(4,366)**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized **34,167**
Depreciation expense **(21,709)**

Change in Net Position of Governmental Activities **\$ (18,513)**

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2013

| | Bokchito Public Utilities Authority Enterprise Fund June 30, 2013 | Memo Only June 30, 2012 |
|---|--|----------------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 23,151 | \$ (1,767) |
| Certificates of Deposit | - | - |
| Accounts Receivable | - | - |
| Total Current Assets | <u>23,151</u> | <u>(1,767)</u> |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash - Customer Deposits | 25,175 | 24,021 |
| Cash - Debt Reserves | 40,756 | 30,713 |
| Capital assets, net of accumulated depreciation | <u>733,982</u> | <u>759,711</u> |
| Total Noncurrent Assets | <u>799,912</u> | <u>814,445</u> |
| TOTAL ASSETS | <u><u>\$ 823,063</u></u> | <u><u>\$ 812,678</u></u> |
| <u>LIABILITIES & NET POSITION</u> | | |
| Current Liabilities: | | |
| Current Portion of Long-Term Debt | <u>\$ 7,856</u> | <u>\$ 7,474</u> |
| Total Current Liabilities | <u>7,856</u> | <u>7,474</u> |
| Noncurrent Liabilities: | | |
| Due to Depositors | 25,577 | 24,373 |
| Notes Payable - Long-Term | 191,089 | 198,562 |
| Less: Current Portion of Long-Term Debt | <u>(7,856)</u> | <u>(7,474)</u> |
| Total Noncurrent Liabilities | <u>208,810</u> | <u>215,462</u> |
| TOTAL LIABILITIES | <u>216,666</u> | <u>222,936</u> |
| NET POSITION: | | |
| Net investment in capital assets | 542,892 | 561,149 |
| Restricted for debt service | 65,931 | 54,734 |
| Unrestricted | <u>(2,426)</u> | <u>(26,141)</u> |
| TOTAL NET POSITION | <u>606,397</u> | <u>589,742</u> |
| TOTAL LIABILITIES & NET POSITION | <u><u>\$ 823,063</u></u> | <u><u>\$ 812,678</u></u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Bokchito Public Utilities Authority Enterprise Fund June 30, 2013 | Memo Only June 30, 2012 |
|---|--|----------------------------|
| OPERATING REVENUES: | | |
| Charges for services: | | |
| Water | \$ 168,515 | \$ 152,084 |
| Sewer | 91,160 | 68,077 |
| Sanitation | 54,505 | 52,804 |
| Grant Income | - | - |
| Other Revenue | 1,125 | - |
| TOTAL OPERATING REVENUES | 315,305 | 272,964 |
| OPERATING EXPENSES: | | |
| Personal Services | 118,110 | 106,117 |
| Landfill Contract | 55,218 | 35,772 |
| Maintenance & Operations | 93,663 | 130,769 |
| Capital Outlay | - | - |
| Depreciation | 33,526 | 34,293 |
| TOTAL OPERATING EXPENSES | 300,518 | 306,951 |
| NET OPERATING INCOME (LOSS) | 14,788 | (33,987) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest Income | 141 | 158 |
| Interest Expense | (9,759) | (10,123) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (9,618) | (9,965) |
| NET INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS | 5,169 | (43,952) |
| Capital Contributions | - | - |
| Transfers in | 9,252 | 9,433 |
| Transfers out | - | - |
| CHANGE IN NET POSITION | 14,421 | (34,519) |
| TOTAL NET POSITION - BEGINNING | 589,742 | 623,321 |
| TOTAL NET POSITION - PRIOR YEAR ADJUSTMENT | 2,234 | 940 |
| TOTAL NET POSITION - ENDING | \$ 606,397 | \$ 589,742 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

EXHIBIT G

TOWN OF BOKCHITO, OKLAHOMA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>June 30, 2013</u> | <u>Memo Only June 30, 2012</u> |
|---|----------------------|------------------------------------|
| <u>Cash Flows from Operating Activities:</u> | | |
| Cash Receipts from Customers | \$ 314,180 | \$ 272,964 |
| Receipts from Others | 1,125 | - |
| Payments to Suppliers for Goods & Services | (148,881) | (166,542) |
| Payments to Employees & Laborers | (118,110) | (106,117) |
| Customer Deposits Received, Less Refunded | 1,204 | 168 |
| Net Cash Provided (Used) by Operating Activities | <u>49,518</u> | <u>474</u> |
| <u>Cash Flows from Non-Capital Financing Activities:</u> | | |
| Transfers to other funds | - | - |
| Transfers from other funds | 9,252 | 9,433 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | <u>9,252</u> | <u>9,433</u> |
| <u>Cash Flows from Capital & Related Financing Activities:</u> | | |
| Additions to Capital Assets | (7,797) | - |
| Loan Proceeds received | - | - |
| Principal paid on Notes Payable | (7,473) | (7,109) |
| Interest paid | (9,759) | (10,123) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>(25,029)</u> | <u>(17,232)</u> |
| <u>Cash Flows from Investing Activities:</u> | | |
| Interest Income | 141 | 158 |
| Net Cash Provided (Used) by Investing Activities | <u>141</u> | <u>158</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 33,881 | (7,168) |
| Cash & Cash Equivalents, Beginning of Year | 52,967 | 59,195 |
| Cash & Cash Equivalents, Prior Year Adjustment | 2,234 | 940 |
| Cash & Cash Equivalents, End of Year | <u>\$ 89,082</u> | <u>\$ 52,967</u> |
| <u>Reconciliation of operating income (loss) to net cash provided operating activities:</u> | | |
| Operating Income (Loss) | \$ 14,788 | \$ (33,987) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Depreciation | 33,526 | 34,293 |
| (Increase)Decrease in Accounts Receivable | - | - |
| Increase(Decrease) in Due to Depositors | 1,204 | 168 |
| Increase(Decrease) in Accounts Payable | - | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 49,518</u> | <u>\$ 474</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

A. FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

| | |
|--------------------------|---|
| Primary Government: | Town of Bokchito |
| Blended Component Units: | Bokchito Public Utility Authority (BPUA) |

PRIMARY GOVERNMENT

The Town of Bokchito, Oklahoma is an incorporated town under the provisions of the State of Oklahoma. The Town provides the following services: public safety (police, fire & ambulance), streets, and general administrative services. Other services include water, sewer, and garbage utility operations.

The Town, for financial purposes, includes all of the funds relevant to the operations of the Town of Bokchito. The financial statements presented herein do not include agencies, which have been formed under applicable state laws or separate and district units of government apart from the Town of Bokchito.

The Town's financial statements were prepared upon the standards established by GASB-34, which provides for two levels of financial statements: fund financial statements and government-wide financial statements.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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A blended component unit meets at least one of the following criteria: (a) the blended component unit's governing body is the same or substantially the same as the Town Council, and there is a financial benefit or burden relationship with the Town, or Town management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the Town; or (c) the component unit's debt is expected to be repaid entirely or almost entirely with resources of the Town. The blended component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. Based on the foregoing criteria, the financial statements of the following component units are blended into the accompanying financial statements: Bokchito Public Utility Authority. The Town board of trustees and PUA board of directors are the same.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The Town's funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A funds is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.

- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund - The General Fund is used to account for all of the general revenues of the Town not specifically levied or collected for other Town funds, and for expenditures primarily related to the rendering of the general services to the Town.

Special Revenue Funds - Special Revenue Funds are established to account for revenues derived from specific taxes or other earmarked revenues. The Street and Alley Fund is reported as a special revenue fund.

Proprietary Funds

Enterprise Fund - Enterprise Funds are used to account for operations that are financed and operated in manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Bokchito Public Utility Authority Enterprise Fund is a Proprietary Fund Type.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

MEASUREMENT FOCUS

In the government-wide State of Net Position and Statement of Activities, both governmental and business-like activities are presented used the economic resources measurement focus, within the limitations of the modified cash basis of accounting, subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determinations of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. BUDGETARY DATA

The budgetary data reflected in the accompanying financial statements reflect the Town's legally adopted budget. The Town's general fund budget is adopted at the beginning of each fiscal year and published in the local or regional newspaper.

E. FINANCIAL POSITION

CASH & CASH EQUIVALENTS

Cash and cash equivalents for cash flow presentation purposes include the entity's petty cash, cash in bank, restricted assets, and certificates of deposits. Investments held in trust are considered cash equivalents since their maturities are less than three months.

CAPITAL ASSETS

Property and equipment for the proprietary fund type are recorded at their historical cost; these assets are depreciated over the estimated useful life of the related asset. The Town does not maintain adequate records for property and equipment of the governmental fund types; therefore Capital Assets are not reported as required by the modified cash basis of accounting.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
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Estimated useful lives are as follows:

| | |
|------------------------|----------|
| Water and Sewer System | 30 years |
| Equipment | 5 years |

Capitalization Policy

Purchases of capital items in excess of \$5,000.00 that increase the capacity or operation efficiency or extend the useful life of any asset are capitalized. Repairs and maintenance are expensed as incurred.

LONG-TERM DEBT

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
2. Restricted – Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (a) external groups such as creditors, grantors,

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

- Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board.
- Unassigned - Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purposes of each major special revenue fund and revenue source is listed below:

| <u>Major Special Revenue Fund</u> | <u>Revenue Source</u> |
|-----------------------------------|---|
| Municipal Court Fund | Fine & Forfeitures |
| Ambulance Service Fund | Charges for Services |
| Street & Alley Fund | Commercial Vehicle Tax Gasoline Excise Tax Grant Income |

F. REVENUES, EXPENDITURES & EXPENSES

Property Tax

For the year ended June 30, 2013, the Town levied no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

Expenditures/Expenses

For purposes of the combined operating statements, expenditures/expenses are classified as follows:

Governmental Fund Types - By Character: Current (further
classified by activity) Capital Outlay
Proprietary Fund Types - By Operating and Non-Operating

Governmental fund types report expenditures of financial resources. Proprietary fund types normally report expenses relating to use of economic resources.

G. INTERFUND TRANSFERS

During the course of normal operations, the Town has transactions between funds including expenditures and transfers of resources

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

to provide services, purchase assets and service debt. Transactions which are normal and recurring between funds are recorded as operating transfers. Transfers of equity between funds (residual equity transfers) are recorded as a change in fund balance.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from these estimates.

NOTE 2 - BUDGETARY ACCOUNTING AND CONTROL

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

By law, unencumbered appropriations lapse after September 30 following the end of the fiscal year; therefore, claims on such appropriations may be paid until that time.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

As a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. In accordance with Government Auditing Standards, the auditor has issued a report on his consideration of the Town's internal control over financial reporting and tested its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in compliance with Government Auditing Standards

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

and should be read in conjunction with this report in considering the results of the audit.

Finance-related Legal & Contractual Provisions

As described in these Notes, the Town was in compliance with the reserve requirement of the Rural Development loan agreement.

Deficit Fund Balance or Retained Earnings

As indicated in the financial statements, there are no fund balance or retained earnings deficits for the District for this fiscal year.

NOTE 4 - CASH & EQUIVALENTS AND RESTRICTED ASSETS

Custodial Credit Risk

At June 30, 2013, the Town held deposits of approximately \$106,821 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit are covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Restricted Assets

Restricted cash in the proprietary fund type consists of \$25,175 restricted for customer deposits and which are offset by a related liability account.

The Authority has established the Rural Development debt reserve account with a \$17,923 balance as of June 30, 2013; this debt reserve account can only be used for payment of principal and interest on the mortgage payable. In addition, the Authority has established a Sewer Reserve account with a \$22,832 balance as of June 30, 2013; this account was established to fund future emergency sewer improvements, serve as match for grant funded sewer improvements; and as a debt reserve account for the note payable to Community Resources Group, Inc.

NOTE 5 - CAPITAL ASSETS

Governmental Funds

Capital asset activity for the Governmental Funds, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2013, was as follows:

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Governmental-type Activities:

| | Balance 7/1/12 | Additions | Deductions | Balance 6/30/13 |
|--|-------------------|-----------|------------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | - | - | - | - |
| Other capital assets: | | | | |
| Police Cars | 129,964 | 34,167 | (21,828) | 142,304 |
| Ambulances | 25,880 | - | - | 25,880 |
| Total depreciable capital assets | 155,844 | 34,167 | (21,828) | 168,184 |
| Less: Accum. Depreciation for: | | | | |
| Police Cars | 104,872 | 16,533 | (17,462) | 103,943 |
| Ambulances | 20,704 | 5,176 | - | 25,880 |
| Total Accumulated Depreciation | 125,576 | 21,709 | (17,462) | 129,823 |
| Business-Type Activities | | | | |
| Capital Assets, Net | \$ 30,268 | \$ 12,458 | \$ (4,366) | \$ 38,361 |

Depreciation expense for the year ended June 30, 2013, aggregating \$21,709, has been computed on assets with a cost basis totaling \$168,184.

Proprietary Fund

Capital asset activity for the Public Utilities Authority, resulting from the modified cash basis transactions, for the fiscal year ended June 30, 2013, was as follows:

Business-type Activities:

| | Balance 7/1/12 | Additions | Deductions | Balance 6/30/13 |
|--|-------------------|-------------|------------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | - | - | - | - |
| Other capital assets: | | | | |
| Water & Sewer System | 1,190,591 | - | - | 1,190,591 |
| System Improvements | 542,810 | - | - | 542,810 |
| Equipment | 120,999 | 7,797 | - | 128,796 |
| Total depreciable capital assets | 1,854,400 | 7,797 | - | 1,862,197 |
| Less: Accum. Depreciation for: | | | | |
| Water & Sewer System | 895,582 | 14,599 | - | 910,181 |
| System Improvements | 78,161 | 18,094 | - | 96,255 |
| Equipment | 120,945 | 834 | - | 121,779 |
| Total Accumulated Depreciation | 1,094,689 | 33,526 | - | 1,128,215 |
| Business-Type Activities | | | | |
| Capital Assets, Net | \$ 759,711 | \$ (25,729) | \$ - | \$ 733,982 |

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Depreciation expense for the year ended June 30, 2013, aggregating 33,526, has been computed on assets with a cost basis totaling \$1,862,197.

NOTE 6 - OUTSTANDING LONG-TERM DEBT

Government Fund Debt

The Police Department currently has a Lease-Purchase Agreement with Vision Bank for the purchase of a 2013 Jeep Wrangler. The agreement is for a term of one year at 5.00% interest with monthly payments of \$385.31 due on the 15th of each month and a balloon payment of \$18,951.08 due 5/15/2014.

Changes in Government Fund Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

| Notes Payable: | Balance at June 30, 2012 | Additions | Deductions | Balance at June 30, 2013 |
|--------------------------------|-----------------------------|--------------|-------------|-----------------------------|
| Note Payable | \$ - | \$ 22,167.00 | \$ (308.34) | \$ 21,858.66 |
| Total Govt Fund Long-Term Debt | \$ - | \$ 22,167.00 | \$ (308.34) | \$ 21,858.66 |

Debt Service Requirements to Maturity for Government Fund Long-Term Debt

| Note Payable: | Principal | Interest | Total |
|---------------|---------------------|------------------|---------------------|
| FYE June 30, | | | |
| 2014 | \$ 21,858.66 | \$ 945.52 | \$ 22,804.18 |
| 2015 | - | - | - |
| 2016 | - | - | - |
| 2017 | - | - | - |
| 2018 | - | - | - |
| | <u>\$ 21,858.66</u> | <u>\$ 945.52</u> | <u>\$ 22,804.18</u> |

Bokchito Public Utilities Authority Debt

On March 22, 1993, the Bokchito Public Utilities Authority entered into a loan agreement with Rural Development (USDA). The maximum loan amount is \$294,800 with a 40-year term, maturing March 22, 2033. Repayment provisions call for interest at 5.0% with only interest payments the first year, and monthly payments of principal and interest of \$1,436 thereafter. This note is secured by a mortgage on the land, equipment, and revenues of the water system, and is subject to the liens on the bonds above except for certain other mortgages described in the agreement.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Changes in BPUA Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

| Notes Payable: | Balance at June 30, 2012 | Additions | Deductions | Balance at June 30, 2013 |
|---------------------------|-----------------------------|-----------|---------------|-----------------------------|
| USDA - Rural Development | \$ 198,562.13 | \$ - | \$ (7,472.93) | \$ 191,089.20 |
| Total BPUA Long-Term Debt | \$ 198,562.13 | \$ - | \$ (7,472.93) | \$ 191,089.20 |

Debt Service Requirements to Maturity for BPUA Long-Term Debt

USDA - Rural Development:

| FYE June 30, | Principal | Interest | Total |
|--------------|----------------------|---------------------|----------------------|
| 2014 | \$ 7,855.97 | \$ 9,376.03 | \$ 17,232.00 |
| 2015 | 8,257.88 | 8,974.12 | 17,232.00 |
| 2016 | 8,680.36 | 8,551.64 | 17,232.00 |
| 2017 | 9,124.47 | 8,107.53 | 17,232.00 |
| 2018 | 9,591.30 | 7,640.70 | 17,232.00 |
| 2019-2023 | 55,838.89 | 30,321.11 | 86,160.00 |
| 2024-2028 | 71,661.35 | 14,498.65 | 86,160.00 |
| 2029-2030 | 20,078.98 | 652.46 | 20,731.44 |
| | <u>\$ 191,089.20</u> | <u>\$ 88,122.24</u> | <u>\$ 279,211.44</u> |

NOTE 7 - GOVERNMENTAL FUND BALANCES

Town of Bokchito
Disclosure of Fund Balances Reported on Balance Sheet
For Fiscal Year Ending June 30, 2013

| | General Fund | Municipal Court Fund | Ambulance Service Fund | Street & Alley Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------|------------------|----------------------------|------------------------------|---------------------------|--------------------------------|--------------------------------|
| FUND BALANCES: | | | | | | |
| Restricted for: | | | | | | |
| Road Maintenance | \$ - | \$ - | \$ - | \$ 5,091 | \$ - | \$ 5,091 |
| Assigned to: | | | | | | |
| Fire Department | - | - | - | - | 154 | 154 |
| Police Department | - | 1,066 | - | - | - | 1,066 |
| EBCAS | - | - | 660 | - | - | 660 |
| Other purposes | - | - | - | - | - | - |
| Unassigned | 10,767 | - | - | - | - | 10,767 |
| Total | <u>\$ 10,767</u> | <u>\$ 1,066</u> | <u>\$ 660</u> | <u>\$ 5,091</u> | <u>\$ 154</u> | <u>\$ 17,738</u> |

NOTE 8 - VOLUNTEER FIREMEN PENSION

The Town participates in the Oklahoma Firefighters Pension and Retirement System (the Plan) on behalf of its volunteer firefighters. The Town contributes \$60/year for each volunteer firefighter as set by Oklahoma Statutes; voluntary firefighters do not contribute to the

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Plan. The Plan provides retirement, death, and disability benefits to plan members and beneficiaries. The Plan is an agent multiple-employer, or municipality, contributory defined benefit pension plan. The authority to amend and establish benefit provisions of the Plan rests with the Board of Trustees of the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report as well as actuarial assumptions and funding information may be obtained by writing to the Oklahoma Firefighters Pension and Retirement System c/o Oklahoma State Firefighters Association, 4545 N. Lincoln Blvd., Oklahoma City, OK 73105-3414.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance to reduce their risk of loss. These insurance policies have deductibles ranging from zero to \$1,000.

NOTE 10 - COMMITMENTS & CONTINGENCIES

Ambulance Service - The Eastern Bryan County Ambulance Service is operated by the Town via a contract with the Bryan County Ambulance Authority, a Bryan County Public Trust. As part of the contract, the Bryan County Ambulance Authority provides the Town with some funding and equipment to maintain the local ambulance service. This contract is renewable annually; should the contract not be renewed, then the Town would have to return all the equipment, furnished by the Bryan County Ambulance Authority.

Grant Programs - In the normal course of operations, the Town participates in various federal and state grant programs from year to year. Amounts received or receivable from grantor agencies are often subject to audit and adjustment by the grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Compensated Absences - Compensated absences have not been determined because the Town prepares its financial statements on the cash basis of accounting. According to generally accepted accounting principles the liability for compensated absences should be accrued.

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 - OPERATING TRANSFERS

Interfund operating transfers for the year ended June 30, 2013, were as follows:

| OPERATING TRANSFERS: | <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> |
|-------------------------------------|---------------------|----------------------|
| GENERAL: | | |
| Municipal Court Fund | \$ - | \$ 36,653 |
| Ambulance Service Fund | \$ - | \$ 10,491 |
| Volunteer Firefighters Fund | \$ - | \$ 1,000 |
| Street & Alley Fund | \$ - | \$ 14,400 |
| Sidewalk Fund | \$ - | \$ - |
| Bokchito Public Utilities Authority | \$ - | \$ 9,252 |
| Total General Fund | <u>\$ -</u> | <u>\$ 71,796</u> |
| SPECIAL REVENUE FUNDS: | | |
| Municipal Court Fund: | | |
| General Fund | \$ 36,653 | \$ - |
| Ambulance Service Fund: | | |
| General Fund | \$ 10,491 | \$ - |
| Volunteer Firefighters Fund: | | |
| General Fund | \$ 1,000 | \$ - |
| Street & Alley Fund: | | |
| General Fund | \$ 14,400 | \$ - |
| Bokchito Public Utilities Authority | \$ - | \$ - |
| Sidewalk Fund: | | |
| General Fund | \$ - | \$ - |
| Total Special Revenue Funds | <u>\$ 62,544</u> | <u>\$ -</u> |
| ENTERPRISE FUNDS | | |
| Bokchito Public Utilities Authority | | |
| General Fund | \$ 9,252 | \$ - |
| Street & Alley Fund | \$ - | \$ - |
| Total Enterprise Funds | <u>\$ 9,252</u> | <u>\$ -</u> |
| | <u>\$ 71,796</u> | <u>\$ 71,796</u> |

NOTE 12 - PRIOR YEAR ADJUSTMENT

Miscellaneous immaterial adjustments were made to void old outstanding deposits and checks.

NOTE 13 - SUBSEQUENT EVENTS

The Town did not have any subsequent events through November 11, 2013, which is the date the financial statements were issued, for events

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

requiring recording or disclosure in the financial statements for the year ending June 30, 2013.

EXHIBIT H

TOWN OF BOKCHITO, OKLAHOMA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|-----------------|-----------------|----------------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive (Negative) |
| Beginning Budgetary Fund Balance: | \$ 8,951 | \$ 8,951 | \$ 8,951 | \$ - |
| <u>Resources (Inflows):</u> | | | | |
| Sales & Use Tax | 88,544 | 88,544 | 113,162 | 24,618 |
| Cigar Tax | 1,306 | 1,306 | 1,442 | 135 |
| Franchise Tax | 18,415 | 18,415 | 21,961 | 3,546 |
| Alcoholic Beverage Tax | 3,570 | 3,570 | 4,161 | 591 |
| Police Fines & Bonds | - | - | - | - |
| Permits & Fees | 113 | 113 | 40 | (73) |
| Donations & Fundraisers | - | - | 125 | 125 |
| Interest Income | 62 | 62 | 40 | (23) |
| Miscellaneous Income | 27,394 | 27,394 | 35,639 | 8,245 |
| Transfers In | - | - | - | - |
| Amounts available for appropriation | 148,355 | 148,355 | 185,520 | 37,164 |
| <u>Charges to Appropriations (Outflows):</u> | | | | |
| Personal Services | 12,500 | 12,500 | 15,248 | (2,748) |
| Maintenance & Operations | 66,000 | 66,000 | 87,790 | (21,790) |
| Capital Outlay | - | - | - | - |
| Debt Service | - | - | - | - |
| Transfers Out | 69,855 | 69,855 | 71,796 | (1,940) |
| Total Charges to Appropriations | 148,355 | 148,355 | 174,834 | (26,479) |
| Prior Year Adjustments to Fund Balance | - | - | 81 | 81 |
| Ending Budgetary Fund Balance | - | - | 10,767 | 10,767 |

Unaudited

TOWN OF BOKCHITO, OKLAHOMA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2013

The Town's annual operating budget represents appropriations as authorized by the Board of Trustees and County Excise Board in accordance with the provisions of Title 68 of the Oklahoma Statutes. The Town's budget is limited by law to 90% of the amount of revenue collected in the prior year plus unreserved fund balance. In addition, revisions may be made to the budget throughout the year as authorized by the Board of Trustees and County Excise Board. The legal level of control of the budget is the expenditures category within a department. The expenditure categories required by the applicable State Statutes are:

1. Personal Services;
2. Maintenance and Operations; and
3. Capital Outlay

The budget is prepared on the same modified cash basis of accounting as applied to the basic financial statements. Revenues and expenses are reported when they result from cash transactions.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Town of Bokchito, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bokchito, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Bokchito, Oklahoma's basic financial statements, and have issued our report thereon dated November 11, 2013, which was qualified for the improper capital asset recordkeeping.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Bokchito's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bokchito's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Bokchito's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

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weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiencies. Those deficiencies are listed as Item 13-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bokchito's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards, which is included in the Schedule of Findings as Item 13-02. The results of our tests disclosed no instances of other matters that are required to be reported under Government Auditing Standards.

Town of Bokchito's Response to Findings

Town of Bokchito's response to the findings identified in our audit is described in the accompanying Schedule of Findings. Town of Bokchito's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Kershaw CPA & Associates, PC

November 11, 2013

TOWN OF BOKCHITO, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2013

SIGNIFICANT DEFICIENCIES OF INTERNAL CONTROL

Item 13-01 - Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, and record the same transaction. The segregation of duties is important to have adequate control over financial assets.

Condition: The Town has the same employees performing work normally segregated between two or more employees, including recording cash receipts and disbursements, maintaining the general ledger and payroll. Due to the size of the Town's major areas of internal control, that would be prevalent in a larger Town, such segregation of duties is not available for this size operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions. Because of this lack of division of responsibility, internal control is determined to be weak, and in some instances, non-existent.

Cause/Effect: Due to the limited number of personnel, a breach of internal controls could occur and not be detected in the normal course of operations.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board continues to be actively involved in the operations of the organization.

SIGNIFICANT DEFICIENCIES OF COMPLIANCE

Item 13-02 - Water and Sewer Recordkeeping

Criteria: The loan agreement with the United States Department of Agriculture Rural Development (USDA) requires the Authority to maintain income and expense records for water and sewer systems separately.

Condition: The Authority maintains separate billing records for water and sewer income. However, the Authority does not maintain separate expense accounts for the water and sewer systems.

TOWN OF BOKCHITO, OKLAHOMA
SCHEDULE OF FINDINGS
JUNE 30, 2013

Cause/Effect: This leaves the Authority out of compliance with the Rural Development loan agreement as the USDA will no longer be accepting audits that do not have Water and/or Sewer Records broken out separately.

Response: The Authority has been separating a few of the accounts but was not previously aware of this requirement.

EXHIBIT I

TOWN OF BOKCHITO, OKLAHOMA
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

| | <u>SPECIAL REVENUE FUNDS</u> | Total |
|---|-----------------------------------|-----------------------------------|
| | Volunteer Firefighters Fund | Nonmajor Governmental Funds |
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 155 | \$ 155 |
| Certificates of Deposit | - | - |
| Accounts Receivable | - | - |
| TOTAL ASSETS | <u>\$ 155</u> | <u>\$ 155</u> |
| <u>LIABILITIES & FUND EQUITY</u> | | |
| <u>LIABILITIES:</u> | | |
| Accounts Payable | \$ - | \$ - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> |
| <u>FUND BALANCES:</u> | | |
| Nonspendable | - | - |
| Restricted | - | - |
| Committed | - | - |
| Assigned | 155 | 155 |
| Unassigned | - | - |
| TOTAL FUND BALANCES | <u>155</u> | <u>155</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 155</u> | <u>\$ 155</u> |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements

TOWN OF BOKCHITO, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

| | <u>SPECIAL REVENUE FUNDS</u> | <u>Total</u> |
|---|------------------------------|---------------------|
| | <u>VOLUNTEER</u> | <u>Nonmajor</u> |
| | <u>FIREFIGHTERS</u> | <u>Governmental</u> |
| | <u>FUND</u> | <u>Funds</u> |
| <u>REVENUES:</u> | | |
| Vehicle Taxes | \$ - | \$ - |
| Gasoline Taxes | - | - |
| Charges for Services | - | - |
| Ambulance Subsidy | - | - |
| Grant Revenue | 4,484 | 4,484 |
| FEMA | - | - |
| Donations & Fundraisers | 207 | 207 |
| Interest Income | 1 | 1 |
| Miscellaneous Income | 7,927 | 7,927 |
| TOTAL REVENUES | 12,620 | 12,620 |
| <u>EXPENDITURES:</u> | | |
| Current: | | |
| Personal Services | - | - |
| Maintenance & Operations | 14,558 | 14,558 |
| Capital Outlay | - | - |
| Debt Service - Principal & Interest | - | - |
| TOTAL EXPENDITURES | 14,558 | 14,558 |
| EXCESS OF REVENUES OVER (UNDER) | | |
| EXPENDITURES | (1,938) | (1,938) |
| <u>OTHER FINANCING SOURCES (USES):</u> | | |
| Operating Transfers In | 1,000 | 1,000 |
| Operating Transfers Out | - | - |
| Capital Debt Proceeds | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,000 | 1,000 |
| NET CHANGES IN FUND BALANCES | (938) | (938) |
| FUND BALANCE - BEGINNING OF YEAR | 1,093 | 1,093 |
| FUND BALANCE - PRIOR YEAR ADJUSTMENT | - | - |
| FUND BALANCE - END OF YEAR | \$ 155 | \$ 155 |

See Accountant's Audit Report & Notes Which Accompany These Financial Statements